

**SOUTH CAROLINA
DEPARTMENT OF MOTOR VEHICLES**

BLYTHEWOOD, SOUTH CAROLINA

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

JUNE 30, 2016

August 11, 2017

Mr. Kevin A. Shwedo, Executive Director
South Carolina Department of Motor Vehicles
Blythewood, South Carolina

This report on the application of agreed-upon procedures to the accounting records of the South Carolina Department of Motor Vehicles for the fiscal year ended June 30, 2016, was issued by Elliott Davis Decosimo, LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,



George L. Kennedy, III, CPA
State Auditor

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 11, 2017

Mr. George L. Kennedy, III, CPA
State Auditor
South Carolina Office of the State Auditor
Columbia, South Carolina

We have performed the procedures described in Attachment 1, which were agreed to by the South Carolina Office of the State Auditor and management of the South Carolina Department of Motor Vehicles (the "Agency"), solely to assist you in evaluating the systems, processes and behaviors of the Agency for the fiscal year ended June 30, 2016. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in Attachment 1 for the purpose of which the agreed-upon procedures report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be an opinion or conclusion, respectively, on the systems, processes and behaviors of the Agency. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement. Therefore, all findings from the application of the agreed-upon procedures must be reported unless the definition of materiality is agreed to by the specified parties. Management of the Agency has agreed that the following deficiencies will not be included in the Independent Accountant's Report on Applying Agreed-Upon Procedures:

- Clerical errors of less than \$1,000 related to processing cash receipts and cash disbursements transactions unless the errors occur in ten percent or more of the transaction class tested.
- Clerical errors of less than \$1,000 related to reporting packages.
- Errors in applying account coding definitions to accounting transactions unless it is determined that ten percent or more of the accounting transactions inspected were found to be in error.
- Reporting packages which are submitted less than three business days after the due date unless it is determined that more than two of the reporting packages were submitted late.

This report is intended solely for the information and use of the governing body and management of the South Carolina Department of Motor Vehicles and South Carolina Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Columbia, South Carolina
August 11, 2017

Agreed-Upon Procedures Related to South Carolina Department of Motor Vehicles (R40)

Cash Receipts and Revenue

1. We compared current fiscal year recorded revenues at the sub-fund and account level from sources other than State General Fund appropriations to those of the prior fiscal year. We obtained and documented our understanding of variations in the earmarked, restricted and federal funds for indication that revenues were classified properly in the Agency's accounting records. The scope was based on agreed-upon threshold levels (\$370,000 - earmarked fund, \$42,000 - restricted fund and \$7,500 - federal fund) and +/- 10%.
2. We randomly selected a sample of twenty-five (25) cash receipts transactions and inspected supporting documentation for indication of the following:
 - a. The transaction amount, date, payor, document number, and account coding agreed to the general ledger.
 - b. The cash receipts were deposited within five (5) business days.
 - c. Both revenue collections and amounts charged were properly authorized by law.
3. We selected the last ten (10) cash receipts transactions recorded during the fiscal year ended June 30, 2016 and inspected supporting documentation for indication that the corresponding revenues were recorded in the proper fiscal year.

Findings: We noted no exceptions as a result of performing these procedures.

Cash Disbursements and Non-Payroll Expenditures

4. We compared current fiscal year recorded non-payroll expenditures at the sub-fund and account level to those of the prior fiscal year. We obtained and documented our understanding of variations in the earmarked, restricted and federal funds for indication that non-payroll expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon threshold levels (\$370,000 - earmarked fund, \$42,000 - restricted fund and \$7,500 - federal fund) and +/- 10%.
5. We randomly selected a sample of twenty-five (25) non-payroll disbursements and inspected supporting documentation for indication of the following:
 - a. The transaction was properly completed as required by Agency procedures; invoice(s) agree(s) with the general ledger as to vendor, amount, number, and date.
 - b. All supporting documents and approvals required by Agency procedures and good business practice were present and agreed with the invoice.
 - c. The transaction was a bona fide expenditure of the Agency and was properly coded to the general ledger.
 - d. The disbursement complied with all State laws, rules, and regulations including the State Consolidated Procurement Code, state travel regulations, etc.
 - e. The amount reflected on the supporting invoice was clerically accurate.
6. We selected the first ten (10) non-payroll disbursements recorded during the fiscal year ended June 30, 2017 and inspected supporting documentation for indication that non-payroll disbursements were recorded in the proper fiscal year.

Findings: We noted no exceptions as a result of performing these procedures.

Payroll

7. We compared current fiscal year recorded payroll expenditures at the sub-fund and account level to those of the prior fiscal year. We obtained and documented our understanding of variations in the earmarked, restricted and federal funds for indication that payroll expenditures were classified properly in the Agency's accounting records. The scope was based on agreed-upon threshold levels (\$370,000 - earmarked fund, \$42,000 - restricted fund and \$7,500 - federal fund) and +/- 10%.
8. We randomly selected a sample of twenty-five (25) employees and performed the following procedures:
 - a. We obtained and scanned the employee's payroll and personnel file for various forms, communications, etc. for indication that the individual was a bona fide employee of the Agency.
 - b. We recalculated the employee's gross pay using "Personnel Action Forms" contained in the personnel file and where applicable, timesheets, and compared the result to the supporting paystub, noting all changes to pay rates for the fiscal year (if applicable).
 - c. Where applicable, we inspected "Personnel Action Forms" for indication that all changes to pay rates were properly approved.
 - d. For hourly employees, we inspected their timesheets for indication that the total hours were mathematically accurate and that the timesheets were approved by the employees' supervisors.
9. We obtained from management a population of employees who received bonus pay during the current fiscal year as authorized by the "2015-2016 Supplemental Appropriation" and randomly selected a sample of twenty-five (25) employees for indication of the following:
 - a. The employee is a permanent State employee in a full-time equivalent position who has been in continuous State service for at least six (6) months prior to July 1, 2015.
 - b. The employee does not make more than \$100,000 annually.
 - c. The employee's bonus pay was split between funds according to the ratio of the employee's base salary.
10. We inspected payroll transactions for a random sample of twenty-five (25) new hires for indication that the employees were added to the payroll in accordance with the Agency's policies and procedures, and that the employees' first pay check was properly calculated in accordance with State law.
11. We inspected payroll transactions for a random sample of twenty-five (25) terminated employees for indication that the employees were removed from the payroll in accordance with the Agency's policies and procedures, and that the employees' last pay check and leave payout were properly calculated in accordance with applicable State law.
12. We compared the percentage change in recorded personnel service expenditures to the percentage change in employer contributions and obtained explanations from management for variances of +/- 10%.
13. We computed the percentage distribution of fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of personnel service expenditures by fund source. We investigated changes of +/- 10% to ensure that personnel service expenditures were classified properly in the Agency's accounting records.

Findings: We noted no exceptions as a result of performing these procedures.

Journal Entries and Transfers

14. We randomly selected a sample of twenty-five (25) non-recurring journal entries and twenty-five (25) transfers recorded during the current fiscal year and performed the following procedures:
 - a. We traced the recorded amounts from supporting documentation and compared the amounts to the general ledger.
 - b. We inspected the sample journal entry form and transfer form for indication that it was properly approved.
 - c. We inspected the sample journal entry form and transfer form and the supporting documentation for indication that the Agency documented the purpose of the transaction.

Findings: We noted no exceptions as a result of performing these procedures.

Appropriation Act

15. We completed the "Appropriation Act Work Program" via inquiry of management, observations of business practices and inspection of source documents for indication of any areas of noncompliance.
16. We obtained Agency-specific State provisos and inspected them for compliance through inquiry of management and observation of business practices.

Findings: We noted no exceptions as a result of performing these procedures.

Reporting Packages

17. We obtained copies of all reporting packages as of and for the fiscal year ended June 30, 2016, prepared by the Agency and submitted to the Office of the State Comptroller General, and inspected them for indication of the following:
 - a. They were prepared in accordance with the Office of the State Comptroller General's requirements.
 - b. The amounts reported in the reporting packages agreed with the supporting working papers and accounting records.

Findings: We noted no exceptions as a result of performing these procedures.

Composite Reservoir Accounts

18. We obtained from the Office of the State Auditor a listing of the Agency's composite reservoir accounts and compared the listing to the one provided by management of the Agency for indication that the listing is complete.
19. We obtained all monthly reconciliations for each composite reservoir account and for two (2) of the reconciliations, we inspected them for indication of the following:
 - a. The selected reconciliations were prepared within one (1) month following the month that they related to, they were properly documented in accordance with State regulations, and were mathematically correct.
 - b. The ending book balances agreed to the general ledger.
 - c. The ending bank balances agreed to the State Treasurer's Office monthly reports.
 - d. Reconciling differences were adequately explained and properly resolved.
20. We inspected ten (10) composite reservoir account cash receipts for indication that they were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations and that they were recorded in the proper fiscal year.

Composite Reservoir Accounts, Continued

21. For the ten (10) composite reservoir account cash receipts selected in procedure 20 above, we inspected them for indication that revenue collection and retention or remittance were supported by law.
22. We inspected ten (10) composite reservoir account disbursements for indication that these disbursements were properly described and classified in the accounting records in accordance with the Agency's policies and procedures and State regulations, were bona fide disbursements of the Agency, were paid in conformity with State laws and regulations and that goods and/or services were procured in accordance with applicable laws and regulations.

Finding: We inspected two (2) bank reconciliations for the month of March 2016 and noted that each was prepared more than one (1) month following the month that it related to. One bank reconciliation was prepared on June 2, 2016 and the other was prepared on June 3, 2016.

Management's Response: The Agency reconciles its zero balance returned check bank accounts with its composite reservoir accounts managed by the State Treasurer's Office. If the composite reservoir account reflects a negative ending balance at month-end, the Agency will deposit funds into the composite reservoir account from its main operating account managed by the State Treasurer's Office. This process ensures that the monthly ending balance for the composite reservoir accounts is sufficient to cover future returned checks. Although the questioned bank reconciliations were prepared later than they normally are, they were completed before June 30, 2016. However, the Agency has implemented a cross-training process to ensure that multiple individuals have the knowledge that is necessary to prepare monthly bank reconciliations. This process will allow the Agency to prepare the monthly bank reconciliations more timely.

Status of Prior Findings

23. We inspected the Accountant's Comments section of the South Carolina Office of the State Auditor's Report on the Agency resulting from the engagement performed for the fiscal year ended June 30, 2015 for indication that the Agency has taken corrective action on any findings.

Findings: No findings were noted from the engagement performed during the year fiscal ended June 30, 2015.

Internal Audit Reports

24. We inspected the Agency's internal audit reports beginning with the fiscal year ended June 30, 2016 through the end of our current fiscal year fieldwork for indication as to whether additional agreed-upon procedures were considered necessary.

Findings: Based on our inspection of the Agency's internal audit reports, additional agreed-upon procedures were not considered necessary.